

Alaska Petroleum Revenues: Coping With Uncertainty

by

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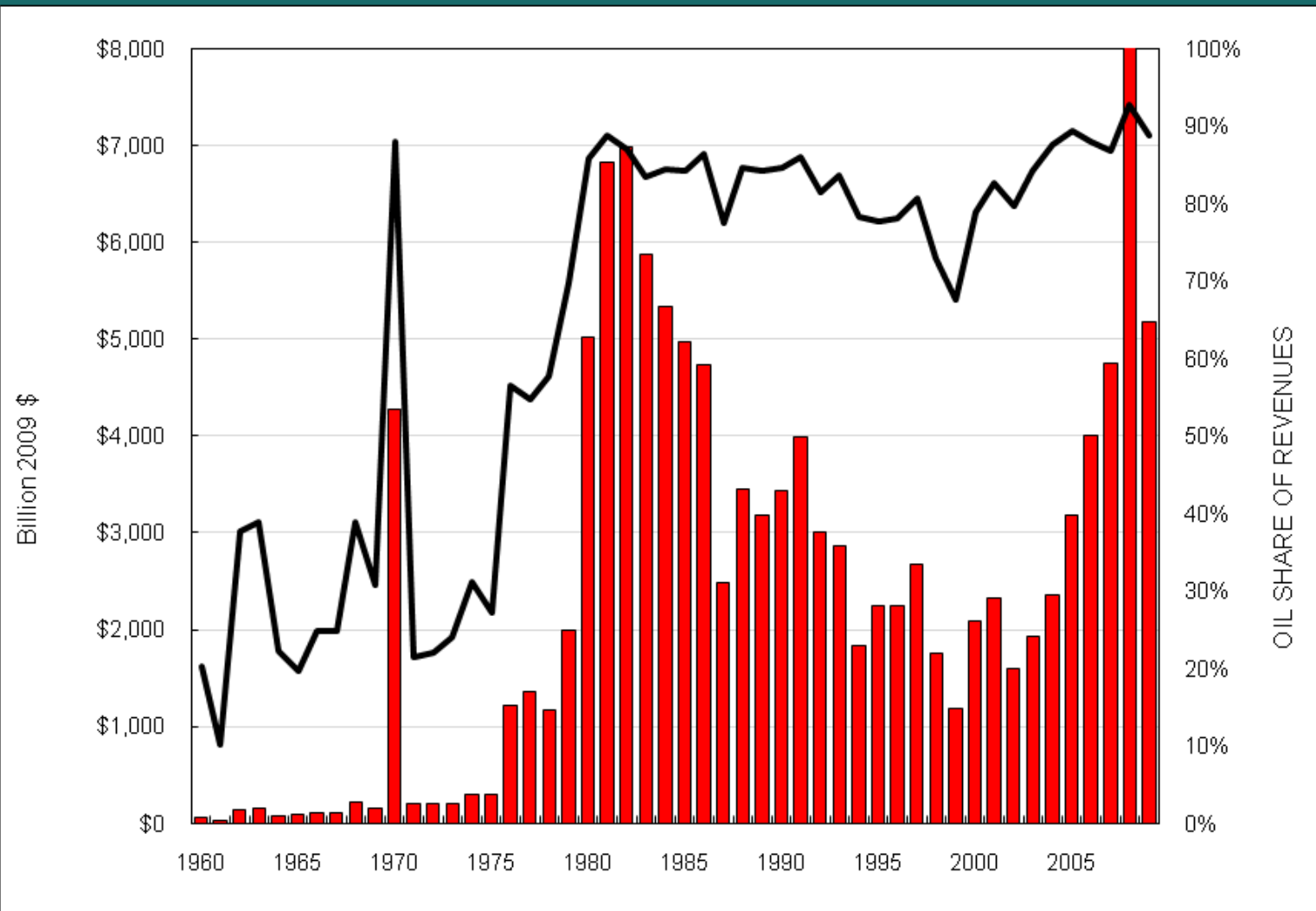
Primary Financial Support from



Alaska Petroleum Revenues: Coping With Uncertainty

- Past Experience
- The Resource Base
- Fiscal Regime
- Fiscal Regime Revisited
- Scenarios
- A Strategy for Alaska

General Fund Oil Revenues



Alaska Petroleum Revenues



SAVE
\$35
Billion

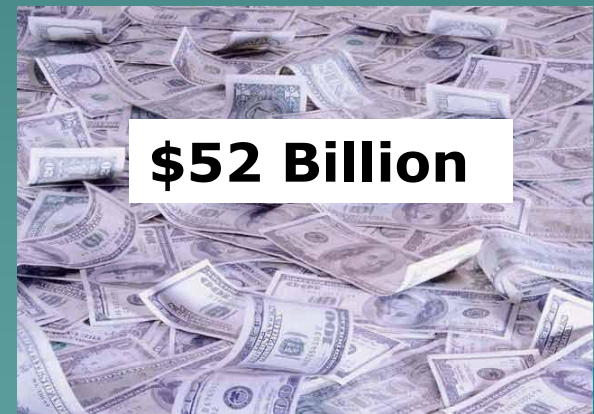


Lighter Tax Burden



SPEND
\$106
Billion

Greater Public Spending



59-08 in 2008 \$

Petroleum and the 3 Legged Stool



PETROLEUM BENEFITS: SPINOFFS & MATURATION

- ◆ Job Opportunities
- ◆ Business Opportunities
- ◆ High Incomes
- ◆ Low Taxes
- ◆ Low Prices
- ◆ New People
- ◆ Public services
- ◆ Public Infrastructure
- ◆ Business infrastructure
- ◆ Consumer goods and services

Alaska's North Slope



Undiscovered Potential North Slope Resources: Technically Recoverable



	OIL (Billion Barrels)	GAS (TCF)
Colville/Canning	4.5	37.5
ANWR 1002	10.3	3.8
OCS-Beaufort	6.9	32.1
OCS-Chukchi	15.5	60.1
NPRA	.9	52.8
TOTAL	38.1	186.3

Petroleum Price and Volume

\$80



11.6 trillion BTU



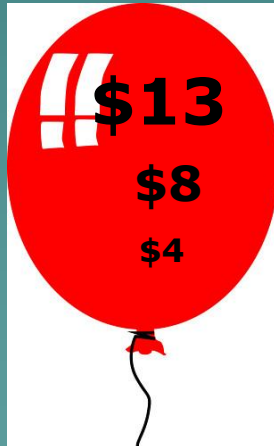
\$24 Billion



\$24 Billion



4.5 trillion BTU



Fiscal Terms

	ONSHORE TO 3 MILES OFFSHORE							OFFSHORE	
	STATE				FEDERAL		PRIVATE*	FEDERAL	
	North Slope		Cook Inlet						
	Lease <1980	Lease >1980	Lease <1980	Lease >1980	NPRA*	ANWR*		3-6 Miles	More Than 6 Miles
ACES Production Tax	Yes	Yes	ELF	ELF	Yes	Yes	Yes	No	No
Corporate Income Tax	Yes	Yes	Yes	Yes	Yes	Yes	Yes	?	?
Property Tax	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
State Royalty: Negotiated	Typical 12.5% of value	Typical 12.5% of value	Typical 12.5% of value	Typical 12.5% of value					
Federal Royalty					Typical 12.5% of value	Typical 12.5% of value		Typical 12.5% of value	Typical 12.5% of value
State Share of Federal Royalty						50%		27%	0%
Royalty—PF Share	25%	50%	25%	50%		25%		25%	
Royalty—GF Share	75%	50%	75%	50%		75%	-	75%	-

Fiscal Terms: State Land

	ONSHORE TO 3 MILES OFFSHORE						OFFSHORE	
	STATE							
	North Slope							
	Lease <1980	Lease >1980						
ACES Production Tax	Yes	Yes						
Corporate Income Tax	Yes	Yes						
Property Tax	Yes	Yes						
State Royalty: Negotiated	Typical 12.5% of value	Typical 12.5% of value						
Federal Royalty								
State Share of Federal Royalty								
Royalty—PF Share	25%	50%						
Royalty—GF Share	75%	50%						

Fiscal Terms: ANWR & NPRA

						OFFSHORE			
					FEDERAL				
					NPRA*	ANWR*			
ACES Production Tax					Yes	Yes			
Corporate Income Tax					Yes	Yes			
Property Tax					Yes	Yes			
State Royalty: Negotiated									
Federal Royalty					Typical 12.5% of value	Typical 12.5% of value			
State Share of Federal Royalty						50%			
Royalty—PF Share						25%			
Royalty—GF Share						75%			

Fiscal Terms: OCS

	ONSHORE TO 3 MILES OFFSHORE							OFFSHORE	
								FEDERAL	
								3-6 Miles	More Than 6 Miles
ACES Production Tax								No	No
Corporate Income Tax								?	?
Property Tax								No	No
State Royalty: Negotiated									
Federal Royalty								Typical 12.5% of value	Typical 12.5% of value
State Share of Federal Royalty								27%	0%
Royalty—PF Share								25%	
Royalty—GF Share								75%	-

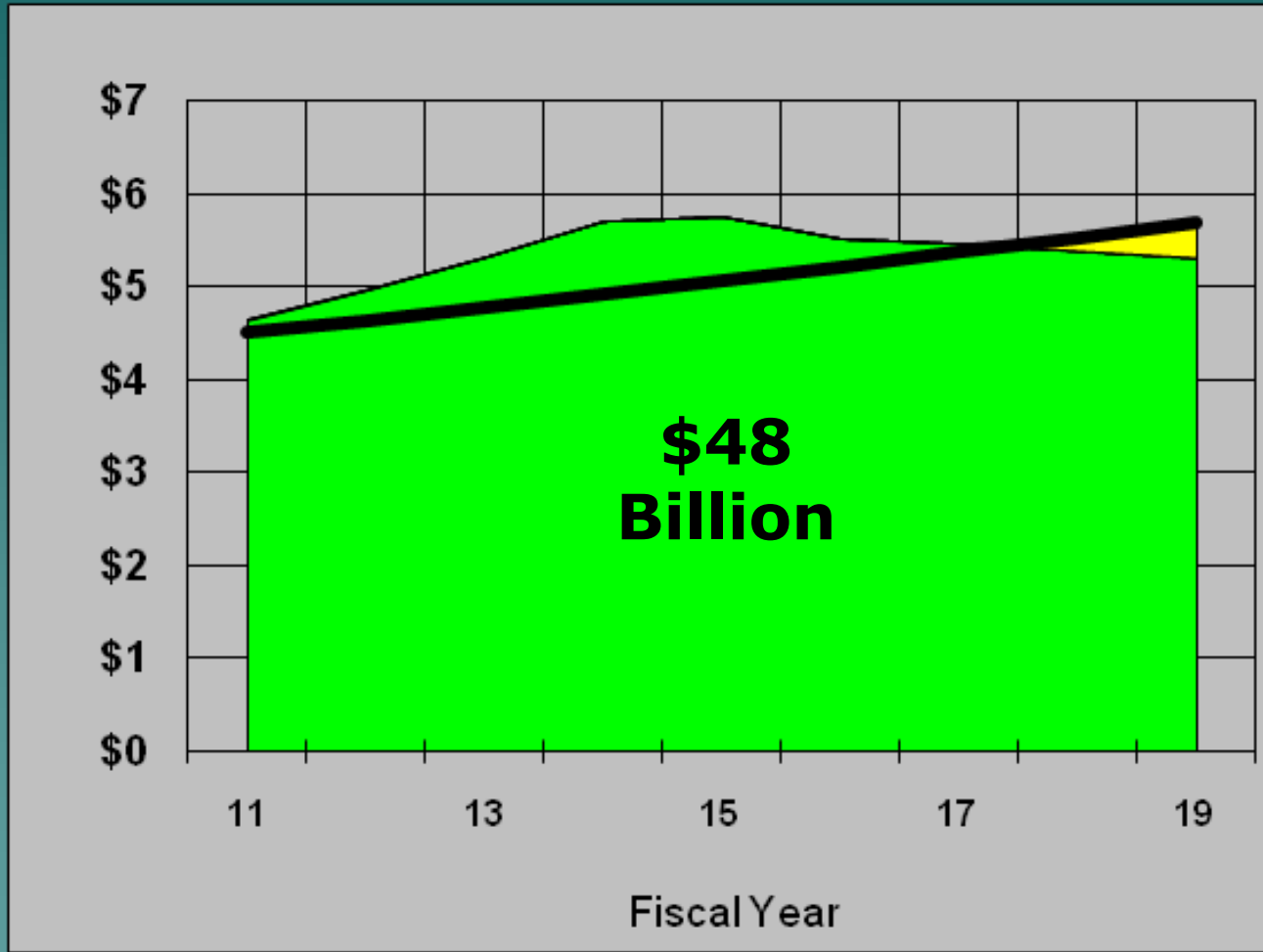
State Revenues (million \$ / year): Hypothetical Field

	ONSHORE TO 3 MILES OFFSHORE							OFFSHORE	
	STATE				FEDERAL		PRIVATE*	FEDERAL	
	North Slope		Cook Inlet						
	Lease <1980	Lease >1980	Lease <1980	Lease >1980	NPRA*	ANWR*		3-6 Miles	More Than 6 Miles
ACES Production Tax	\$ 400	\$ 400			\$ 400	\$ 400	\$400		
Corporate Income Tax	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99		
Property Tax	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20		
State Royalty: Negotiated	\$ 319	\$ 319	\$ 319	\$ 319					
Federal Royalty & State Share of Federal Royalty					\$ 319	\$ 319		\$ 319	\$319
						\$ 160		\$ 86	\$ -
TOTAL	\$ 838	\$ 838	\$ 438	\$ 438	\$ 518	\$ 678	\$ 519	\$ 86	\$ -
—PF Share	\$ 80	\$ 160	\$ 80	\$ 160		\$ 40	\$ -	\$ 22	\$ -
—GF Share	\$ 758	\$ 678	\$ 358	\$ 278	\$ 518	\$ 638	\$ 519	\$ 65	\$ -

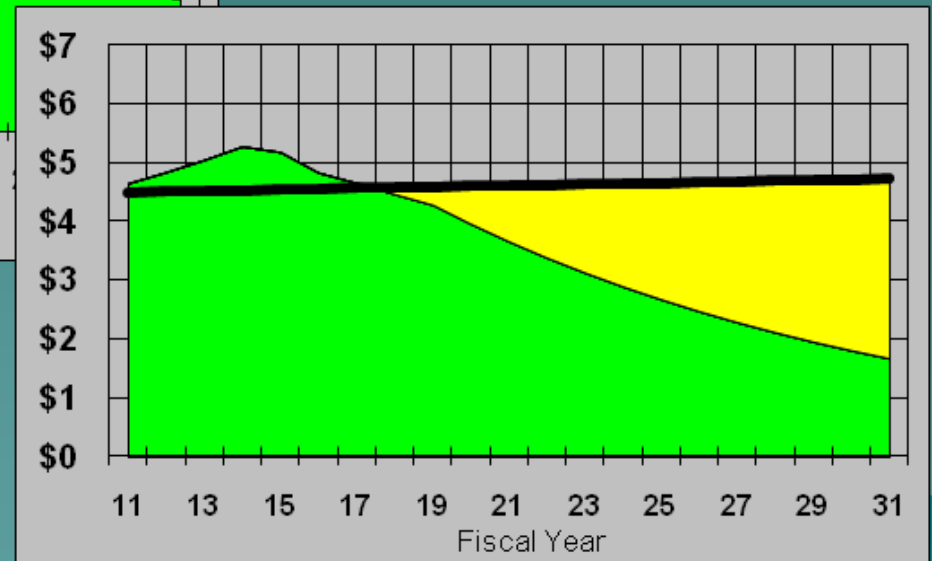
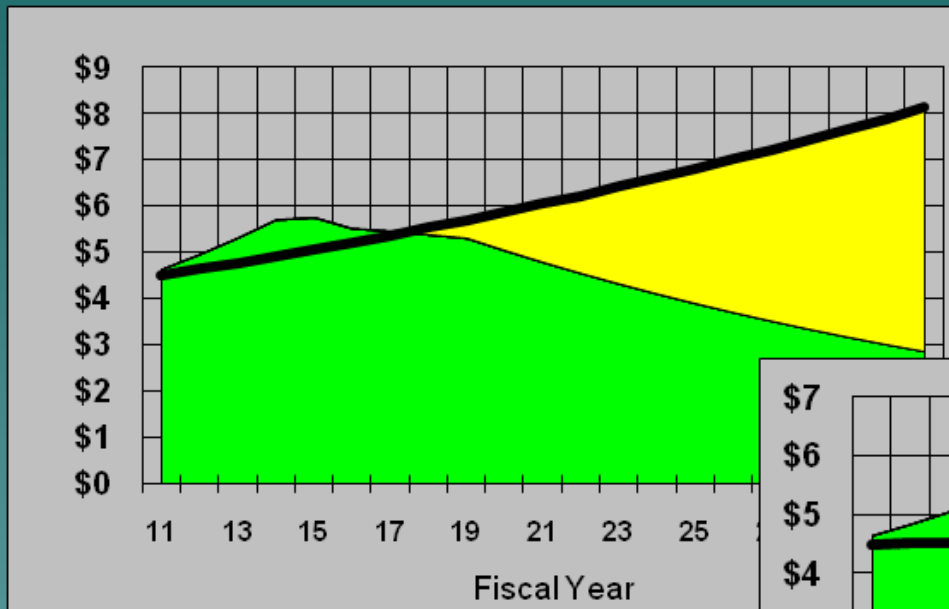
Other Considerations

- OCS Revenue Sharing
- OCS Spinoffs
 - Property Tax
 - Full Pipeline Effect
 - Cost of Production Effects
 - Corporate Income Tax
- Personal Income Tax
- Value of Production
- ANWR 90/10

State of Alaska OMB Fiscal Plan



OMB Fiscal Plan: Extended & Amended



2031 Possible Gap Fillers

- TransCanada Gas Scenario
- ANWR @ 500K / Day
- Heavy Oil @ 2 million / Day
- OCS @ 1 million / Day wt 90/10
- New Onshore State @ 1 million

Non Petroleum Gap Fillers

\$4,000 / Oz.



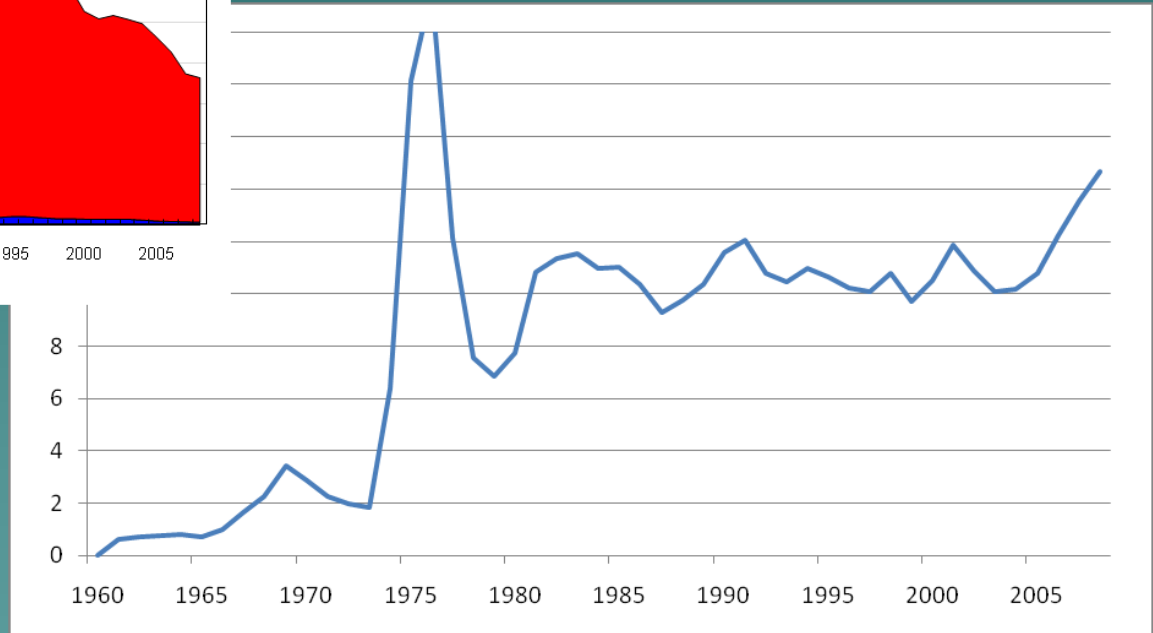
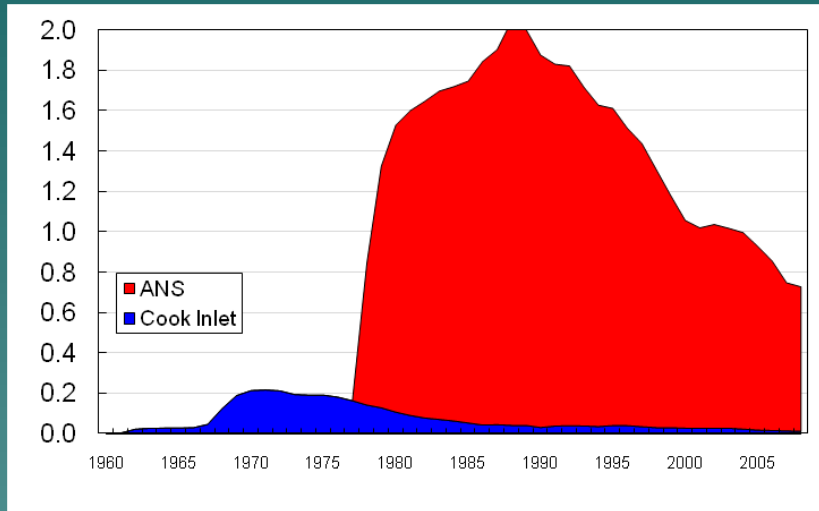
\$2,000 / Visitor



\$20 / Salmon



Production and Employment





Petroleum Wealth (Billion \$)

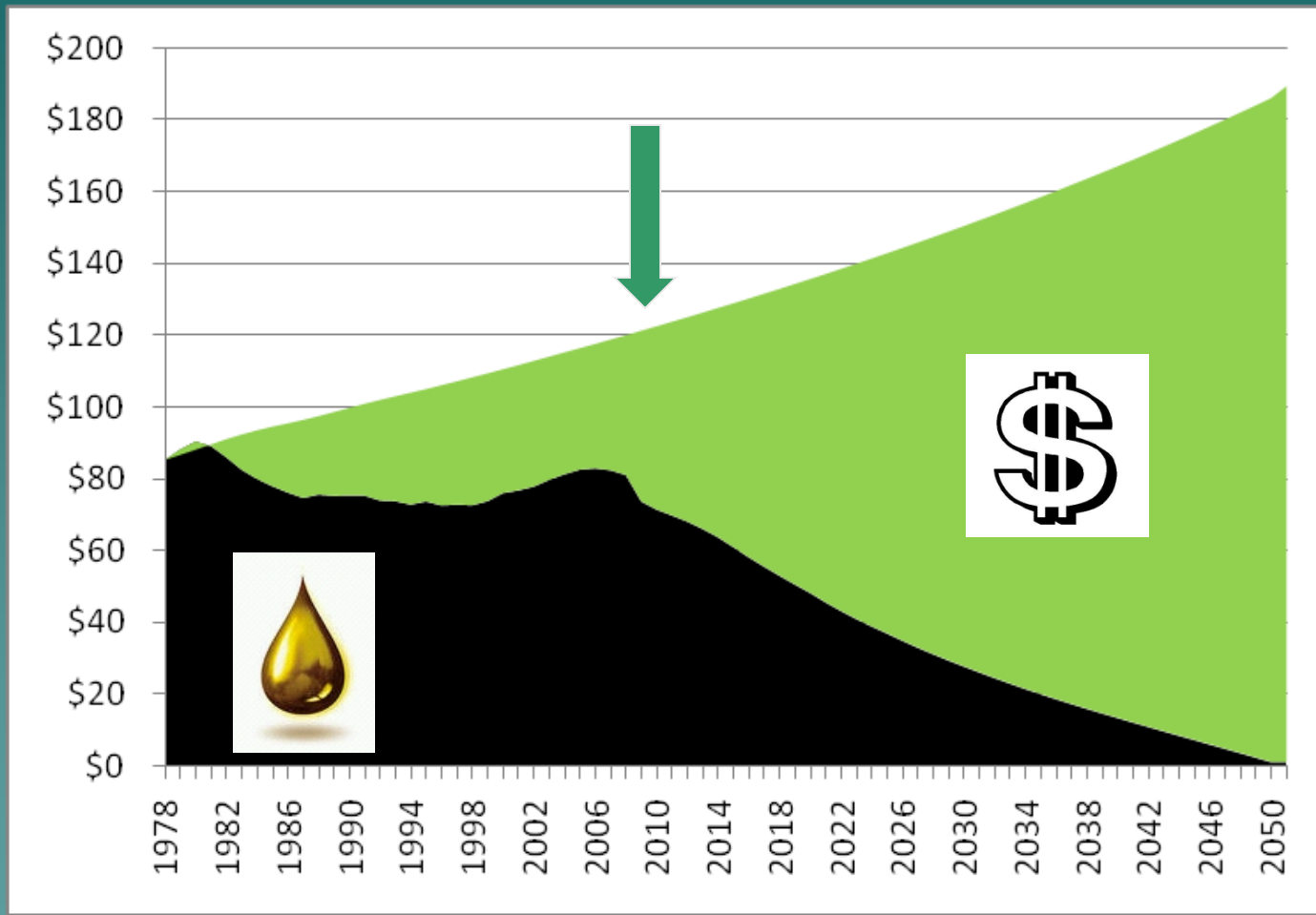
FINANCIAL ASSETS	\$45
Permanent Fund	\$33.3
Constitutional Budget Reserve	\$8.7
Statutory Budget Reserve	\$1
General Fund	\$2
Other	-

PETROLEUM IN THE GROUND: \$71 **NET PRESENT VALUE OF REVENUES**

Oil	\$62
State Land—North Slope 2011-2019	\$39
State Land—North Slope 2020+	\$22
State Land—Other Locations	-
State Land—Heavy Oil	\$1
Federal NPRA	-
Federal OCS	\$1
Federal ANWR	-
Gas	\$7



A Wealth Preservation Strategy



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